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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	**BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS**

Direct Testimony and Exhibits of

Ali Al-Jabir

On behalf of

Eastman Chemical Company

March 31, 2021

BRUBAKER & ASSOCIATES, INC.

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Direct Testimony of Ali Al-Jabir

Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ali Al-Jabir, 5151 Flynn Parkway, Suite 412 C/D, Corpus Christi, Texas 78411.

Q. WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A. I am an energy consultant and an Associate with the firm of Brubaker & Associates, Inc. ("BAI").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I have a Bachelor of Arts Degree and a Master's Degree in Economics from the University of Texas at Austin. After completing my graduate studies in 1991, I worked at the Public Utility Commission of Texas ("Commission") for six years in positions of progressive responsibility, including an assignment as Policy Advisor to Chairman Pat Wood. Since joining BAI in 1997, I have been engaged in a variety of consulting assignments in Texas and other states. More details are provided in Appendix A to this testimony.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. BAI has been engaged by Eastman Chemical Company ("Eastman") to present testimony on its behalf. Eastman consumes large amounts of electricity and operates

on-site generation in the Texas service territory of Southwestern Electric Power Company ("SWEPCO" or "the Company"). Accordingly, Eastman will be directly impacted by the outcome of this rate proceeding.

Q. ARE YOU FAMILIAR WITH EASTMAN'S SELF-GENERATION FACILITIES?

A. Yes.

Q. PLEASE DESCRIBE THEM.

A. Eastman operates a combined cycle gas-fired turbine. The on-site generation facilities are cogenerators. Cogeneration solutions use fuel in a combustion turbine, like a gas turbine, to generate electricity. The heat that is created as a result of the process is captured and recycled to provide steam for Eastman's operations. This process makes cogeneration a highly efficient form of electricity generation relative to conventional generation technologies. The Eastman facility is a Qualifying Facility ("QF") under the Public Utility Regulatory Policies Act ("PURPA").

Q. DOES EASTMAN TAKE GENERATED POWER FROM SWEPCO? IF SO, IN WHAT SITUATIONS AND UNDER WHAT RATES?

A. Eastman takes backup and maintenance power from SWEPCO under the Company's Supplementary, Backup, Maintenance and As-Available ("SBMA") Standby Power Service tariff. Under this tariff, Eastman pays a reservation demand charge for standby power each month. It also pays a daily demand charge when it actually takes standby power from SWEPCO for extended periods of time. Some of this service is taken on an as-available basis, which means that SWEPCO is not required to provide the service if there is insufficient generation available.

Q. WHAT IS THE COST IMPACT OF SWEPCO'S RATE PROPOSALS IN THIS CASE ON EASTMAN?

A. SWEPCO is proposing a new synchronized self-generation rate that would increase Eastman's annual costs by $3.96 million. This is a cost increase of 110% relative to Eastman's current annual standby power costs of approximately $3.6 million.

Q. WHAT ISSUES ARE YOU ADDRESSING IN YOUR DIRECT TESTIMONY?

A. My testimony addresses SWEPCO's proposed determination of the transmission expenses that it incurs for its Texas jurisdiction from the Southwest Power Pool ("SPP"), as it pertains to the treatment of load served by behind the meter generation ("BTMG"). I also address SWEPCO's proposal to establish a new rate to recover a portion of its SPP transmission costs from customers with self-generation that is synchronized with the SWEPCO transmission system. The fact that I am not addressing other proposals or positions set forth by SWEPCO in this proceeding should not be construed as agreement with such proposals or positions.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. My recommendations can be summarized as follows:

1. The Commission should reject SWEPCO's proposal to include load served by retail BTMG that is synchronized with the SWEPCO transmission system in determining the load ratio share of SPP transmission costs that are allocated to SWEPCO and recovered from the Company's Texas retail ratepayers. SWEPCO's proposed treatment of retail BTMG is not required under the SPP Tariff; SWEPCO is making a choice to do so to the detriment of Eastman. SWEPCO's proposal is inconsistent with proper ratemaking principles and contradicts the principles of cost causation. In addition, the Company's proposal unjustly includes large loads served by retail BTMG in the determination of SWEPCO's share of SPP transmission costs while excluding smaller loads served by retail BTMG. Finally, the Company's proposal is inconsistent with the treatment of the load served by retail BTMG in other regions of the U.S.

2. SWEPCO estimates that the dollar impact of its proposed treatment of retail BTMG on its revenue requirement in this proceeding is $5.7 million, with Eastman being assessed approximately $3.96 million annually in incremental costs through the proposed new synchronized self-generation rate. SWEPCO proposes to recover the cost impact of its proposal in excess of the $3.96 million recovered from Eastman through the rates for the LLP class. The Commission should reject

SWEPCO's proposed treatment of retail BTMG. This recommendation can be accomplished by both rejecting the proposed self-generation rate and by reducing SWEPCO's revenue requirement in this proceeding by $5.7 million to eliminate the impact of the Company's proposed treatment of retail BTMG in this case.

3. The Commission should reject SWEPCO's proposal to introduce a new synchronized self-generation rate. This proposed new rate would impose $3.96 million in additional annual costs on Eastman. As a threshold matter, the Commission should reject the proposed rate as a matter of policy. As I explain in my testimony, it is not appropriate to impose SPP network transmission costs on the load served by retail BTMG. Therefore, the Company's proposed rate is inconsistent with proper ratemaking policy. Moreover, the proposed rate is inconsistent with cost causation principles and with the principles that govern cost allocation and rate design for retail customers with self-generation.

SWEPCO's Proposed Treatment of Retail BTMG

Q. IS SWEPCO'S PROPOSED TREATMENT OF THE LOAD SERVED BY RETAIL BTMG IN THIS PROCEEDING REASONABLE AND APPROPRIATE?

A. No. As will be discussed in the balance of my direct testimony, SWEPCO's proposed treatment of retail BTMG is not required under the SPP Tariff. Moreover, SWEPCO's proposal is inconsistent with proper ratemaking principles and contradicts the principles of cost causation. In addition, the Company's proposal unjustly includes large loads served by retail BTMG in the determination of transmission costs while excluding smaller loads served by retail BTMG. Finally, the Company's proposal is inconsistent with the treatment of the load served by retail BTMG in other regions of the U.S.

For these reasons, the Commission should reject the Company's proposed treatment of the load served by retail BTMG. Consistent with this recommendation, the Commission should also reject the Company's proposed synchronized self-generation rate. This recommendation would reduce SWEPCO's revenue requirement in this case by $5.7 million.

Q. PLEASE DEFINE "BTMG" AS YOU USE THAT TERM IN YOUR TESTIMONY.

A. BTMG refers to generation that a customer operates at its own location to serve its own load requirements at that location. This on-site generation serves the customer's own local power requirements behind the interconnection and metering point of the customer with the distribution and/or transmission provider's system.

Q. WHAT IS THE DISTINCTION BETWEEN WHOLESALE AND RETAIL BTMG?

A. Wholesale BTMG is generation that is operated by a wholesale customer such as a municipality or an electric cooperative and is typically dedicated to meeting the needs of that utility's own retail customers. However, wholesale BTMG is typically only dispatched to provide energy to the utility's own customers when it is more economic to do so than buying energy from the wholesale market via the transmission grid. As a result, load served by wholesale BTMG is frequently served from energy delivered over the transmission grid rather than from energy generated by the wholesale BTMG.

By contrast, retail BTMG is on-site generation that is operated by a retail end-use customer to serve its own local load requirements. Retail BTMG is dispatched whenever it is available to fully meet the customer's load, regardless of the availability of energy at a lower cost from the wholesale market. In Eastman's case, its retail BTMG is used to cover all of Eastman's load requirements whenever the BTMG is operational. Given this, the customer does not use the transmission grid to serve its on-site retail load, except when its on-site generation is experiencing a forced or planned outage. Since planned outages can be scheduled to occur during non-peak conditions, this means that the load that is served by retail BTMG is very unlikely to impose any demand on the transmission grid at the time of the system peak, unless there is a forced outage of the retail BTMG at the time of the peak.

Q. IS THE TERM "RETAIL BTMG" APPLICABLE TO BOTH LARGE AND SMALL CUSTOMERS?

A. Yes, it is. Retail BTMG can be operated at a larger scale by industrial customers or at a smaller scale by residential and commercial customers in the form of rooftop solar power or other distributed generation applications. However, note that there is some distinction between the availability of energy depending on the nature of the retail BTMG in question. In particular, industrial cogeneration, such as that used by Eastman, has an extremely high availability factor; in other words, the self-generation is likely to be highly available and it is typically unnecessary to obtain power from the grid. By contrast, the availability factor of rooftop solar is limited by solar incidence, which can be potentially improved to a degree, to the extent the rooftop solar is coupled with battery storage.

Q. HOW ARE WHOLESALE BTMG LOADS TYPICALLY REPORTED AS IT RELATES TO THE ALLOCATION OF TRANSMISSION COSTS?

A. Under the Federal Energy Regulatory Commission ("FERC") precedent, wholesale BTMG loads are generally reported on a gross load basis, meaning that the wholesale customer's load served by BTMG is added back to the customer's actual meter reading at the time of the coincident peak to determine the customer's peak load ratio share contribution to transmission costs. Generally, this concept makes sense for wholesale BTMG loads because wholesale BTMG is typically only dispatched to provide energy to the wholesale customer's loads when it is economic to do so versus purchasing it at wholesale using the transmission grid. This makes it more likely that the load served by wholesale BTMG will rely on the transmission grid for power deliveries during peak

periods relative to retail BTMG and certainly relative to industrial retail BTMG such as Eastman's which is designed to supply all of an industrial customer's electric needs.[1]

Q. PLEASE EXPLAIN THE CONCEPTS OF NET AND GROSS LOAD REPORTING OF RETAIL BTMG LOAD AS THEY RELATE TO THE ALLOCATION OF TRANSMISSION COSTS.

A. Network transmission costs in the SPP are allocated to Network Customers, such as SWEPCO, on a coincident peak load ratio share basis, using the ratio of each Network Customer's monthly load at the time of the monthly system peak demand of the applicable SPP transmission zone to the total monthly peak load of that zone. Network Customers are wholesale customers such as utilities, municipalities and cooperatives who purchase network transmission service under the SPP Tariff to deliver power to their retail loads. Under a retail BTMG "netting" approach, a utility serving a retail customer with retail BTMG would exclude the load served by the retail BTMG from its load ratio share reporting to the SPP if that retail customer's load is being served by its retail BTMG at the time of the monthly zonal peak demand interval (*e.g.*, the total customer retail load requirement minus the load served by retail BTMG at the peak).

By contrast, "gross" load reporting of retail BTMG load would require the utility to essentially add to the meter reading for the retail customer the portion of the retail customer's load that is being served by the customer's own generation behind the meter at the time of the monthly zonal peak demand interval (*e.g.*, actual metered retail load at the time of the peak plus the retail BTMG self-generated load). Gross load reporting generally has the effect of requiring the Network Customer to report the maximum non-coincident peak ("NCP") demand of the retail customer's load, rather

[1] However, as I discuss later in my testimony, the FERC has authorized an exception to this treatment of wholesale BTMG loads in the case of the Pennsylvania-New-Jersey-Maryland Interconnection ("PJM").

than the customer's coincident peak demand, when it reports the contribution of its retail customers to the zonal system peak, even if all or a portion of the retail customer's load is being served by the customer's own retail BTMG at the time of the peak. Gross load reporting typically allocates additional costs on the Network Customer by imputing the NCP demand of the load served by the retail BTMG and adding that demand to the determination of the customer's contribution to the system peak demand, even if this load is not actually drawing power from the system at the time of the peak.

Q. HOW HAS SWEPCO HISTORICALLY REPORTED ITS MONTHLY NETWORK LOAD GENERALLY AND SPECIFICALLY, HOW HAS IT TREATED RETAIL BTMG?

A. Historically, SWEPCO appropriately reported its retail BTMG for transmission cost allocation purposes on a net load basis. However, starting in October 2018, the Company began to report Eastman's retail BTMG load on a gross load basis.

Q. PLEASE SUMMARIZE SWEPCO'S PROPOSED TREATMENT OF RETAIL BTMG AS IT RELATES TO THE DETERMINATION AND RECOVERY OF THE COMPANY'S TRANSMISSION EXPENSES.

A. As noted above, the SPP relies on a load ratio share calculation to determine each SPP member utility's share of SPP's network transmission costs that are regionally allocated. This load ratio share allocation is based on each Network Customer's monthly network load at the time of the monthly peak of the transmission zone where the Network Customer's load is physically located.

SWEPCO asserts that the SPP Staff now requires it to include retail customer load that is served by synchronized self-generation in determining SWEPCO's load ratio share allocation of SPP transmission costs (*e.g.*, gross reporting), even if the load served by retail BTMG is not taking power from the Company's transmission system at the time of the system peak. To recover the Company's Texas jurisdictional share of

these SPP transmission costs, SWEPCO is proposing a new synchronized self-generation rate that would apply to retail customers with synchronized self-generation.[2]

Q. HOW DOES SWEPCO PROPOSE TO DETERMINE THE SYNCHRONIZED SELF-GENERATION RATE?

A. SWEPCO proposes to determine this rate by dividing the total Commercial and Industrial class revenue requirement for the transmission function by the total class non-coincident peak ("NCP") kW to arrive at a transmission demand unit cost. SWEPCO then multiples this unit cost by 50% to recognize that approximately half of the class functional transmission demand cost is reflected in the reservation backup charge.[3] This calculation yields a proposed rate of $2.20 per backup contract kW.[4] This calculation is shown in SWEPCO's response to TIEC Request for Information 1-8, which I have attached to my testimony as Exhibit AZA-1.

Q. HAS SWEPCO CALCULATED THE REVENUE REQUIREMENT IMPACT OF ITS PROPOSED TREATMENT OF RETAIL BTMG?

A. Yes. SWEPCO estimates that the dollar impact of its proposed treatment of retail BTMG on its revenue requirement in this case is $5.7 million.[5]

Q. DOES EASTMAN OWN AND OPERATE RETAIL BTMG THAT WOULD BE IMPACTED BY SWEPCO'S PROPOSAL IN THIS PROCEEDING?

A. Yes. As I have described, Eastman owns and operates retail BTMG in SWEPCO's Texas service area. Eastman uses its retail BTMG to provide approximately 150 MW of power to supply the full load requirements of its operations in SWEPCO's Texas service area during all times when this generation is available. Eastman also sells

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[2] Direct Testimony of SWEPCO witness Jennifer L. Jackson at 23.

[3] *Id.*

[4] SWEPCO Response to Request for Information TIEC 1-8. A copy of SWEPCO's response is attached to my testimony as Exhibit AZA-1 and incorporated herein for all purposes.

[5] SWEPCO Response to Request for Information TIEC 5-1.

power from its on-site generation that is in excess of its local load requirements into the wholesale power market when it is profitable to do so. The only time that Eastman does not use its retail BTMG to fully serve its local load is when this on-site generation experiences an outage.

Q. DOES EASTMAN'S RETAIL BTMG TAKE POWER FROM SWEPCO?

A. The Eastman load that is served by its retail BTMG does not take power from the Company and does not contribute to SWEPCO's system demand, except when its retail BTMG is off-line due to an outage. Planned outages of Eastman's retail BTMG are coordinated with SWEPCO and are scheduled outside of system peak demand periods. Eastman schedules planned outages of its cogeneration units and requires maintenance power from SWEPCO during such outages. Over the past decade, Eastman has on average taken maintenance power from the Company on 10 days per year. These maintenance outages are scheduled in the shoulder months of the spring and fall, when system loads are low.

Therefore, the only time when the load served by Eastman's retail BTMG could impose a demand on the SWEPCO system at the time of the transmission zonal peak would be in the rare instances when a forced outage of Eastman's retail BTMG coincides with the time of the zonal peak.[6] Unplanned outages requiring backup service from SWEPCO are very limited and occur on three days per year on average. Therefore, these unplanned outages are extremely unlikely to coincide with the zonal peak.

[6] In the rare situation where Eastman would take power from SWEPCO due to a forced outage, Eastman compensates SWEPCO through the standby power rates that Eastman pays to the Company.

Q. DOES SWEPCO PROPOSE TO INCLUDE EASTMAN'S BEHIND THE METER LOAD SERVED BY RETAIL BTMG IN ITS DETERMINATION OF ITS TEXAS JURISDICTIONAL SHARE OF SPP TRANSMISSION COSTS?

A. Yes. For the first time, the Company is including the total gross load served by Eastman's retail BTMG in reporting SWEPCO's monthly Network Load at the time of the zonal peak to the SPP, even when this load does not take power from SWEPCO at the time of the peak. However, SWEPCO only began including Eastman's load served by retail BTMG in its load share calculations used to determine its share of SPP network transmission costs effective October 2018. Prior to that time, the Company excluded Eastman's load served by retail BTMG from these calculations, by essentially using the "netting approach" I described earlier.[7]

Q. IS SWEPCO'S DECISION TO USE GROSS LOAD REPORTING OF EASTMAN'S RETAIL BTMG REQUIRED BY THE SPP TARIFF?

A. I am not a lawyer but based on my experience, no, it is not. As I explain later in my testimony, SWEPCO's proposed change in the load ratio share calculation is not mandated by the SPP Tariff. In essence, SWEPCO voluntarily decided to begin adding Eastman's load served by retail BTMG in its Network Load reporting in October 2018, even when that load does not use the Company's transmission system at the time of the system peak.

Q. WHAT IS THE IMPACT OF SWEPCO'S VOLUNTARY DECISION TO USE GROSS LOAD REPORTING OF RETAIL BTMG, INSTEAD OF NETTING THE RETAIL BTMG LOAD?

A. This change in the Company's Network Load reporting practices, by including the Eastman load that is actually being served by Eastman's own BTMG and not the

[7] SWEPCO Response to Request for Information TIEC 6-3(b) and TIEC 6-8.

SWEPCO or SPP system, artificially increases the SPP network transmission costs that are allocated to SWEPCO by increasing the Company's share of the total zonal peak load. According to SWEPCO, the revenue requirement increase associated with this change in its load reporting is $5.7 million. The Company proposes to recover $3.96 million of these costs from Eastman through its proposed new synchronized self-generation rate. While there are other customers on the SWEPCO system with retail BTMG such as rooftop solar power, my understanding is that Eastman is the only customer on the SWEPCO system with synchronized self-generation that would be subject to the Company's proposed new self-generation rate.

Treatment of Retail BTMG in SPP

Q. HOW DOES THE SPP TARIFF ADDRESS RETAIL BTMG FOR THE PURPOSE OF DETERMINING TRANSMISSION COSTS?

A. The SPP Tariff allocates network transmission costs to Network Customers based on the Network's Customer's monthly load at the time of the monthly peak of the transmission zone where the Network Customer's load is physically located. The "Network Customer" is defined as the "entity receiving transmission service pursuant to [SPP's] Network Integration Transmission Service under Part III of the Tariff."[8] In this case, SWEPCO is the Network Customer. While I am not an attorney, my understanding is that the definition of "Network Customer's Monthly Network Load" in Section 34.4 of the SPP Tariff is a measure of electricity consumed from the network at the time of peak demand.

The SPP Tariff defines "Network Customer's Monthly Network Load" as follows:

> The Network Customer's monthly Network Load is its hourly load (60 minute, clock-hour); provided, however, the Network Customer's

[8]SPP Open Access Transmission Tariff, § 1, Definitions. ("SPP OATT")

monthly Network Load will be its hourly load coincident with the monthly peak of the Zone where the Network Customer load is physically located.[9]

This definition *only* includes the Network Customer's hourly load coincident with the monthly peak. If a retail customer of an integrated utility is generating its own electricity behind its own meter for its own use at the time of the monthly peak of the applicable transmission zone, that use cannot be a part of the Network Customer's "hourly load coincident with the monthly peak."

Q. WHY CAN'T THE RETAIL BTMG LOAD BE A PART OF SWEPCO'S "HOURLY LOAD COINCIDENT WITH THE MONTHLY PEAK"?

A. Retail BTMG load is served behind the meter by the retail customer's own generation at the time of the monthly peak. Therefore, the retail BTMG customer will not draw power from the SWEPCO system to serve its retail BTMG load, except in rare instances when the retail BTMG experiences a forced outage at the time of the peak.

Q. HAVE SPP'S NETWORK TRANSMISSION SERVICE CUSTOMERS CONSISTENTLY INCLUDED GROSS RETAIL BTMG IN THE DETERMINATION OF THEIR MONTHLY NETWORK LOAD?

A. No. The SPP's Markets and Operations Committee ("MOPC") conducted surveys of SPP's Network Customers regarding their respective reporting of retail BTMG as it relates to the determination of their Network Load. Several survey respondents indicated that they are not including retail BTMG in their reporting of their Network Load at the time of the system peak.[10] This means that many SPP network transmission customers did not consider retail BTMG to be a part of their Network Load that is used

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[9] SPP OATT, § 34.4.

[10] SWEPCO Response to Request for Information TIEC 6-3, Attachment 1 at 30 – 32. Some of the survey responses included, "[a]ll BTM generation is netted against NITS load"; and "XX does not currently include end-use customer-owned generation that is behind the retail meter in the TC NITS Load calculation".

to calculate the load ratio share of transmission costs. Consequently, there are SPP network transmission customers that are netting retail BTMG loads in their Network Load reporting.

Q. IS THERE A STANDARD PRACTICE IN THE SPP THAT DICTATES THAT NETWORK CUSTOMERS, SUCH AS SWEPCO, HAVE TO INCLUDE RETAIL BTMG IN THEIR NETWORK LOAD REPORTING?

A. No, there is not.

Q. IF THERE IS NO STANDARD PRACTICE IN THIS REGARD, IS SWEPCO VOLUNTARILY CHOOSING TO INCLUDE RETAIL BTMG LOAD IN ITS NETWORK LOAD REPORTING?

A. Yes. SWEPCO is now voluntarily choosing to include Eastman's load in its Network Load reporting, even though it did not do so prior to October 2018 and even though there has been no substantive change in the SPP Tariff on this issue.

Q. THEN WHAT IS THE BASIS OF SWEPCO'S PROPOSED CHANGE TO GROSS REPORTING RETAIL BTMG? AND IS THE PROPOSED CHANGE SUPPORTED BY THE ACTUAL SPP TARIFF?

A. Some members of the SPP Staff have suggested to market participants that they should include the gross load served by retail BTMG in reporting their Network Load. But this practice is not required under a proper reading of the SPP Tariff and, to my knowledge, it has not been mandated by the SPP as a formal written policy. In fact, the SPP Staff concedes that there will likely continue to be a lack of consistency in reporting the load served by retail BTMG as Network Load.[11] In other words, because the SPP Tariff does not require gross reporting of retail BTMG, some Network

[11] SWEPCO Response to Request for Information TIEC 6-3, Attachment 2 at 29. "Lack of consistency in Network Load reporting with respect to BTMG will likely continue to be an issue."

Customers will continue to report this load only on a netting basis, not a gross reporting basis.

Q. CAN SWEPCO REPORT ALL GROSS RETAIL BTMG?

A. No, it cannot. Some respondents to the MOPC surveys specifically stated they do not have the ability to determine the amount of all retail BTMG that is taking service at the time of the system peak, particularly in the case of rooftop solar generation that is behind retail meters.[12] Therefore, it is likely that such load served by retail BTMG will continue to be excluded from the calculation a utility's load ratio share of SPP transmission costs because this retail BTMG is generally not measured and reported to the utility.

Q. DOES SWEPCO CONSISTENTLY INCLUDE ALL RETAIL BTMG IN ITS TEXAS SERVICE AREA IN REPORTING ITS MONTHLY NETWORK LOAD TO THE SPP?

A. No. In its response to TIEC RFI 5-3, SWEPCO conceded that it does not include the loads of individual rooftop solar residential or business customers in its load reporting to the SPP. By contrast, it began to include Eastman's retail BTMG load in its reporting effective October 2018. This treatment is inconsistent, discriminatory, and contradicts SWEPCO's position that the SPP requires it to include all retail behind the meter load in reporting its Network Load.[13] Furthermore, the Company's position is counterintuitive given that industrial cogeneration, such as that operated by Eastman, unlike rooftop solar, has a very high availability factor. This factor further exacerbates the violation of the cost causation principle by SWEPCO's proposed treatment of retail industrial BTMG.

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[12] SWEPCO Response to Request for Information TIEC 6-3, Attachment 1 at 31. "We have no way of metering solar panels for example behind retail meters."

[13] SWEPCO Response to Request for Information TIEC 5-3. Attached to my testimony is a true and correct copy of this response as Exhibit AZA-2, which is incorporated herein for all purposes.

Q. WHY IS SWEPCO'S INCONSISTENT APPROACH TO WHAT IT INCLUDES IN REPORTING RETAIL BTMG IMPORTANT TO CONSIDER IN CONNECTION WITH SWEPCO'S PROPOSAL IN THIS CASE?

A. SWEPCO states that the SPP is requiring it to apply gross load reporting of retail BTMG. If SWEPCO believes this to be true, it should be consistently applying this gross load reporting approach to all customers on its system with retail BTMG. The fact that it is not doing so supports a conclusion that SWEPCO has made a voluntary decision to selectively apply gross load reporting to the Eastman load served by retail BTMG and that there is no formal requirement for the Company to take this action.

Q. WHAT IS THE SPP STAFF'S POSITION WITH RESPECT TO THE TREATMENT OF RETAIL BTMG IN DETERMINING MONTHLY NETWORK LOAD?

A. The SPP Staff asserts that FERC Order Nos. 888, 888-A and 890, certain other FERC orders pertaining to BTMG, as well as the definition of "Network Load" in the FERC pro forma OATT and in the SPP Tariff, require that retail BTMG be included in measuring a Network Customer's Network Load. The SPP Staff's position is that retail BTMG can only be excluded from the customer's Network Load if the Tariff contains specific language excluding that load from the reporting of Network Load. This SPP Staff position is important in two respects. First, while it represents the position of certain SPP Staff members, this position is not consistent with my understanding of a proper reading of the SPP Tariff or of the FERC case precedent on this issue. Second, the SPP Staff's position is inconsistent with the manner in which retail BTMG has been treated in other regions of the U.S. Specifically, the Midcontinent Independent System Operator ("MISO") has not interpreted FERC precedent to require a specific Tariff exclusion for retail BTMG load in order to implement a netting approach for retail BTMG within its footprint.

Q. IS THE SPP STAFF'S ARGUMENT SUPPORTED BY THE SPP TARIFF?

A. Based on my experience in the industry, no, it is not. The SPP Staff's argument is based on FERC findings in the aforementioned orders and the resulting definition of "Network Load" in the SPP Tariff. That definition includes language specifying that a network customer may "designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery." Based on the FERC's decisions, the SPP Tariff also states that if a particular load is not designated as Network Load at a discrete point of delivery, the customer must make separate arrangements for Point-to-Point Transmission Service for that load under the SPP Tariff.[14]

Q. DO YOU AGREE WITH THE SPP STAFF'S POSITION AS IT PERTAINS TO THE TREATMENT OF RETAIL BTMG?

A. No. FERC has only made findings specifying that BTMG should be included in reporting Network Load in the context of wholesale customers and pertain only to wholesale BTMG rather than to retail BTMG like Eastman. SPP's own Point-to-Point Transmission Service Tariff for load that is not included in Network Load is applicable to wholesale customers and is not applicable to bundled retail customers that take their electric service from a wholesale entity. Moreover, the fact that the SPP's Network Customers are not consistently including all retail BTMG in their Network Load reporting contradicts the SPP Staff's position that a specific exclusion in its Tariff is needed to permit net retail behind the meter loads in reporting total Network Load. And of paramount importance for ratemaking purposes, electricity that is produced and consumed on-site by a retail customer does not use the utility's transmission grid and, therefore, cannot reasonably be considered part of the utility's Network Load.

[14] SWEPCO Response to Request for Information TIEC 6-3, Attachment 1 at 5, 6 and 9-21.

Q. YOU HAVE EXPLAINED THAT WHOLESALE BTMG IS DIFFERENT THAN RETAIL BTMG. HOW AND WHY IS THAT IMPORTANT WITH RESPECT TO SWEPCO'S PROPOSED TREATMENT OF RETAIL BTMG?

A. As I described earlier, wholesale BTMG is distinct in the manner of its operation from retail BTMG. Wholesale BTMG is generation that is typically owned by a municipality or an electric cooperative and is dedicated to meeting the needs of that utility's own customers. However, this wholesale BTMG may not be large enough to supply all of the energy requirements of the municipal utility or electric cooperative and is only dispatched to provide energy when it is economic to do so versus purchasing it at wholesale using the transmission grid. Fundamentally, the typical wholesale BTMG, whether municipally owned utility or electric cooperative, unlike an industrial retail BTMG like Eastman, frequently uses the SWEPCO and SPP system as an important way to deliver power to the customers of that wholesale BTMG.

By contrast, retail BTMG is fully utilized whenever it is available and does not use the transmission grid to serve its on-site retail load, except when the on-site generation is experiencing a forced or planned outage. This means that the load that is served by retail BTMG is very unlikely to impose any demand on the transmission grid at the time of the system peak, unless there is a forced outage of the retail BTMG at the time of the peak. Because of the difference in the rare and limited situations in which retail BTMG would seek power from the transmission grid at the time of the peak, SWEPCO has failed to establish that retail industrial load served by BTMG imposes costs on the SWEPCO network to justify its proposed synchronized self-generation rate.

Treatment of Retail BTMG in Other RTOs/ISOs

Q. DO OTHER REGIONAL TRANSMISSION ORGANIZATIONS ("RTOs") and INDEPENDENT SYSTEM OPERATORS ("ISOs") REQUIRE NETWORK CUSTOMERS TO INCLUDE THE LOAD SERVED BY RETAIL BTMG IN DETERMINING MONTHLY NETWORK LOAD?

A. No. Several RTOs/ISOs either permit utilities to exclude the load served by retail BTMG from their monthly network load calculations as a matter of practice (*e.g.*, netting approach") or they have explicit Tariff provisions that exclude retail BTMG load from these calculations.

Q. PLEASE DESCRIBE THE TREATMENT OF RETAIL BTMG IN THE MIDCONTINENT INDEPENDENT SYSTEM OPERATOR.

A. MISO's Tariff has largely similar language to the SPP Tariff with regard to the allocation of network transmission costs. The only distinction is that MISO defines the capitalized term "Behind the Meter Generation" to be a type of Load Modifying Resource ("LMR"). In general, only wholesale BTMG is being registered with MISO as LMR BTMG. So, while MISO applies transmission charges on a gross load basis to load served by behind the meter generation that is registered with MISO as LMR BTMG, the reported load does not include retail BTMG. As a result, MISO's treatment of LMR BTMG generally does not impact the treatment of retail BTMG.[15]

It should be noted that when Entergy was integrated into MISO, a MISO QF Integration Plan was adopted that specifically addressed the manner in which MISO should treat the load served by retail BTMG QFs for transmission cost allocation purposes. This MISO QF Integration Plan allowed for the netting of the load served by QFs in Entergy's service area for the purpose of determining the Network Load of the

[15] MISO Presentation, BTMG/btmg Gross vs. Net Load for NITS Billing, MISO Planning Advisory Committee, April 17, 2019, 20190417 PAC Item 04b BTMG (PAC003) (misoenergy.org).

Entergy operating companies. In a complaint proceeding that addressed the MISO QF Integration Plan, the FERC declined to order changes to the Integration Plan and also declined to require the Integration Plan to be included in MISO's Tariff and filed with the FERC. This allowed Entergy to continue to report a QF's[16] net load for the purpose of determining Network Load and to exclude the load served by retail BTMG from these calculations.[17] Entergy maintains this QF netting approach to this day. Thus, it is clear that the FERC has not interpreted the MISO Tariff language to require reporting of the load served by retail BTMG as part of a utility's Network Load, nor has it required that Entergy's practice of netting retail BTMG load be incorporated into MISO's Tariff.

Q. DOES THE SPP STAFF CONTEND THAT MISO DOES NOT PERMIT NETTING OF RETAIL BTMG LOAD?

A. Yes, the SPP Staff asserts that MISO currently does not permit the netting of retail BTMG load.[18]

Q. IS THIS ASSERTION CORRECT?

A. No, it is not. The SPP Staff's assertion is at best misleading and at worst inaccurate. In fact, MISO deliberated this issue in 2019 in its Planning Advisory Committee.

Q. PLEASE EXPLAIN.

A. Ultimately, MISO recognized that several utilities in its footprint apply a netting approach for retail BTMG load in reporting Network Load, while others do not. MISO and its stakeholders concluded that it was appropriate to accept the status quo in MISO on this issue. Under this compromise, several utilities in MISO, including Entergy, that

[16] Qualifying Facilities are small power production facilities and cogeneration facilities that are either self-certified or certified by the FERC as QFs under PURPA. QFs receive certain benefits, such as the right to sell power to utilities and the right to purchase certain services from utilities.

[17] *Occidential Chemical Corp. v. The Midwest Independent System Operator, Inc.*, Order Denying Complaint, 155 FERC ¶ 61,068 at 76 (2016).

[18] SWEPCO Response to Request for Information TIEC 6-3, Attachment 2 at 39-43. "MISO's Tariff doesn't currently allow BTMG netting "

currently allow the netting of retail BTMG in their Network Load calculations will continue to do so, while other utilities that do not apply netting will also continue their current practices. Thus, MISO and its stakeholders ultimately agreed on a compromise that preserves the status quo and defers to individual utility retail tariffs and practices with regard to this issue.[19] This compromise demonstrates that MISO does not interpret its current Tariff language to prohibit the netting of retail BTMG, despite the fact that the MISO Tariff does not have a provision that specifically excludes the load served by retail BTMG from Network Load reporting.

Q. HOW DOES THE PJM TARIFF ADDRESS RETAIL BTMG?

A. The PJM Tariff includes a specific exclusion for all retail BTMG in its definition of Network Load. A subsequent FERC decision allowed PJM to amend its Tariff to also exclude a limited amount of wholesale BTMG from the definition of Network Load. The SPP Staff concedes that this PJM Tariff language allows for the netting of retail BTMG load in PJM.[20]

Q. DO ANY OTHER RTOs/ISOs EXCLUDE LOAD SERVED BY BTMG FROM THE DETERMINATION OF MONTHLY NETWORK LOAD?

A. Yes. The California Independent System Operator ("CAISO") assesses Transmission Access Charges based on the gross load of end-use customers. However, the CAISO's Tariff includes explicit language that provides for the netting of retail BTMG load served by QFs.[21]

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[19] *Id.* at 43. "MISO believes best approach on the billing question is to leave status quo – in which MISO tariff does not impact retail tariffs or external agreements impacting retail load treatment."

[20] SWEPCO Response to Request for Information TIEC 6-3, Attachment 1 at 22-23. "FERC conditionally accepted PJM's proposal to allow netting of load that is served by BTMG at the same electrical location as the load."

[21] CAISO Tariff, Appendix A, Definition of "Gross Load". The CAISO Tariff defines "Gross Load" as follows:

> For the purposes of calculating the Transmission Access Charge, Gross Load is all Energy (adjusted for distribution losses) delivered for the supply of End-Use Customer Loads directly connected to the transmission facilities or directly

The New York Independent System Operator's ("NYISO") Tariff recovers embedded transmission costs through a Transmission Service Charge that is applied to energy withdrawals rather than to coincident peak demand. This Transmission Service Charge is applied to actual customer energy withdrawals from the transmission system, with no adjustment to add any load served by BTMG to the actual metered energy that the customer takes from the system.[22]

Ratemaking and Policy Considerations Pertaining to Retail BTMG

Q. ARE THE SWEPCO TARIFF PROPOSALS CONSISTENT WITH COST CAUSATION PRINCIPLES?

A. No. As I have previously discussed, netting of retail BTMG load is consistent with cost causation principles; gross reporting of the retail BTMG is not. The majority of transmission costs are driven by system peak demand and not the individual customer's peak demand. That is why the FERC allocates network transmission costs

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connected to the Distribution System of a Utility Distribution Company or MSS Operator located in a PTO Service Territory. **Gross Load shall exclude** . . . (3) the portion of the Load of an individual retail customer of a Utility Distribution Company, Small Utility Distribution Company, or MSS Operator that is served by a Generating Unit that: (a) is located on the customer's site or provides service to the customer's site through arrangements as authorized by Section 218 of the California Public Utilities Code; (b) is a qualifying small power production facility or qualifying cogeneration facility, as those terms are defined in the FERC's regulations implementing Section 201 of the Public Utility Regulatory Policies Act of 1978, and (c) secures Standby Service from a Participating TO under terms approved by a Local Regulatory Authority or FERC, as applicable, or can be curtailed concurrently with an Outage of the Generating Unit serving the Load. [emphasis added]

[22] NYISO Tariff, § 1.1, OATT Definitions, Actual Energy Withdrawals. The NYISO Tariff defines "Actual Energy Withdrawals" as.

Energy withdrawals which are either: (1) measured with a revenue-quality real-time meter; (2) assessed (in the case of LSEs serving retail customers where withdrawals are not measured by revenue-quality real-time meters) on the basis provided for in a Transmission Owner's retail access program; or (3) calculated (in the case of wholesale customers where withdrawals are not measured by revenue-quality real-time meters), until such time as is available on a basis agreed upon by the unmetered wholesale customers.

based on the customer's demand at the time of the system peak, rather than based on each customer's individual peak demand.

Q. HOW DO THE FERC OPEN ACCESS TRANSMISSION TARIFF AND SPP'S TARIFF ALLOCATE NETWORK TRANSMISSION COSTS?

A. The FERC pro-forma Open Access Transmission Tariff and the SPP Tariff rely on a 12 CP cost allocation method to allocate network transmission costs. If netting of retail BTMG is appropriately applied and a retail BTMG experiences an outage during one of the monthly system peaks, the load served by the retail BTMG would be included in the reporting of a Network's Customer's Network Load at the time of the system peak for that month. Over time, netting retail BTMG under the 12 CP cost allocation method achieves a fair and realistic measurement of the expected contribution to actual system peak demand on the transmission system by the customer's load that is served behind the meter by retail BTMG.

Q. IS THE NETTING OF RETAIL BTMG CONSISTENT WITH TRANSMISSION SYSTEM PLANNING PRINCIPLES?

A. Yes. From a transmission planning perspective, there is no distinction between a customer with retail BTMG and a non-BTMG retail customer that has a lower demand at the time of the system peak. Netting retail BTMG recognizes that the utility (*e.g.*, SWEPCO) does not need to plan its transmission system to serve the gross load of customers with retail BTMG because retail load that is served by BTMG generally does not use the utility's transmission system at the time of the utility's peak demand. As noted above, the 12 CP cost allocation method appropriately recognizes the probability that a retail BTMG will experience an outage at the time of the system peak.

Q. BUT WHAT HAPPENS IF A UTILITY, SUCH AS SWEPCO, PLANNED ITS TRANSMISSION SYSTEM TO SERVE THE GROSS LOAD SERVED BY RETAIL BTMG?

A. It would not be prudent for a utility to do so because this would assume that the load served by retail BTMG is consistently taking power from SWEPCO throughout the year, when in fact this is not the case. But, if it did, the utility would essentially have to design and to build its transmission system assuming that: (1) retail BTMG did not exist on its system, and (2) it needs to simultaneously serve the NCP demands of all retail BTMG customers.

Q. IS THAT HOW UTILITIES PLAN THEIR TRANSMISSION SYSTEMS?

A. No, they do not. Were they to do so, it would result in an overbuilt system that would impose higher transmission costs on all customers. Instead, utilities incorporate the concept of demand diversity by planning the bulk transmission system to meet the expected load of their customers at the time of the system peak; an approach that is consistent with the netting of retail BTMG.

Q. DO FERC RATEMAKING PRINCIPLES ALSO SUPPORT EXCLUDING THE LOAD SERVED BY RETAIL BTMG FROM THE DETERMINATION OF NETWORK LOAD?

A. Yes. The FERC has established standby service rules for QFs based on the provisions of the PURPA. These rules state that standby service provided to QFs "shall not be based (unless supported by factual data) upon the assumption that forced outages or other reductions in electric output by all QFs on an electric utility's system will occur

simultaneously, or during the system peak, or both."[23] The Commission has adopted rules that implement this same ratemaking principle.[24]

Because the load served by retail BTMG will only contribute to the system peak if the retail BTMG experiences a forced outage at the time of the peak, and the PURPA rules specify that it is not appropriate for the utility to assume that the output of retail BTMG will not be available during the system peak, the load served by retail BTMG should be netted against the retail customer's gross load in determining Network Load.

Q. BASED ON YOUR ANALYSIS OF SWEPCO'S PROPOSAL TO REPORT THE LOAD SERVED BY EASTMAN'S RETAIL BTMG FOR PURPOSES OF TRANSMISSION SYSTEM COST ALLOCATIONS, WHAT CONCLUSIONS DO YOU REACH?

A. I conclude that SWEPCO's proposal is not required under the SPP Tariff, is inconsistent with proper ratemaking principles, and contradicts the principles of cost causation. I further conclude that the Company's proposal unjustly includes large loads served by retail BTMG in the determination of transmission costs while excluding smaller loads served by retail BTMG. Finally, the Company's proposal is inconsistent with the treatment of the load served by retail BTMG in other regions of the U.S.

Q. AND BASED ON YOUR CONCLUSIONS, WHAT ARE YOUR RECOMMENDATIONS RELATED TO THE APPROPRIATE TREATMENT OF THE REPORTING OF RETAIL BTMG?

A. I recommend that the Commission reject the Company's proposed treatment of the load served by retail BTMG. Consistent with this recommendation, the Commission should also reject the Company's proposed synchronized self-generation rate.

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[23] 18 C.F.R. §292.305(c)(i).

[24] 16 TEX. ADMIN. CODE § 25.242(k)(3).

Q. IF THE COMMISSION ADOPTS YOUR RECOMMENDATIONS, WHAT IMPACT DOES THAT HAVE ON SWEPCO'S PROPOSED TRANSMISSION COSTS?

A. Recognizing that SWEPCO's proposal is based on a voluntary decision to start to implement gross reporting of retail BTMG loads and its proposal is not based on cost causation requirements, the Commission's findings to that effect would eliminate approximately $5.7 million in transmission costs from its proposed revenue requirement.

SWEPCO's Proposed Synchronized Self-Generation Rate

Q. DO YOU HAVE ANY OBJECTIONS TO THE SELF-GENERATION RATE THAT SWEPCO HAS PROPOSED TO RECOVER ADDITIONAL TRANSMISSION COSTS FROM RETAIL BTMG THAT IS SYNCHRONIZED WITH THE SWEPCO TRANSMISSION SYSTEM?

A. Yes. As a threshold matter, the Commission should reject the proposed rate as a matter of policy. As I discussed earlier in my testimony, it is not appropriate to impose transmission costs on the load served by retail BTMG if that load is not taking transmission service from the Company at the time of the SPP zonal system peak. Therefore, the proposed rate is inconsistent with recognition of cost causation which is central to proper ratemaking policy.

Q. DO YOU HAVE OTHER OBJECTIONS TO THE PROPOSED RATE?

A. Yes, I do. The proposed self-generation rate does not reflect proper ratemaking principles because it would inappropriately bill Eastman for its retail BTMG load based on its backup contract kW, which is essentially the NCP demand of the load served by Eastman's retail BTMG. This new rate would increase Eastman's annual costs by $3.96 million, even though it does not reflect load that Eastman is actually taking from

SWEPCO. This approach is inconsistent with the fact that the SPP's Network Load reporting, as specified in the SPP Tariff, is based on demand at the time of the zonal system peak. Moreover, the Company's proposal to design the self-generation rate on an NCP basis is inconsistent with cost causation principles because the majority of transmission costs are driven by system peak demand and not by the individual customer's peak demand.

Q. HOW DOES SWEPCO PROPOSE TO APPLY ITS NEW TRANSMISSION CHARGE ON RETAIL BTMG?

A. SWEPCO proposes to apply the new transmission rate of $2.20 per kW-month on a standby contract demand kW basis. In other words, rather than assessing a rate based on actual usage by Eastman, SWEPCO proposes to apply the new transmission rate to customers on a negotiated backup contract kW basis.

Q. IS IT APPROPRIATE TO APPLY THE NEW TRANSMISSION RATE ON A CONTRACT KW BASIS? IF NOT, WHY NOT?

A. No. If the Commission determines that it is reasonable for SWEPCO to recover additional transmission costs from loads served by retail BTMG despite the concerns I identified in my testimony, it is not appropriate to bill such costs to customers on a backup contract kW basis, as proposed by SWEPCO because these transmission costs are not a form of standby power cost.

Instead, any such transmission billing to customers with retail BTMG should be accomplished through a stand-alone SWEPCO tariff schedule, and such costs should be recovered from Eastman based on the amount of Eastman's retail BTMG load that is taking power from SWEPCO at the time of the system peak of the applicable SPP transmission zone. Moreover, given the magnitude of the cost impact of SWEPCO's proposal on Eastman, the fact that Eastman's load served by retail BTMG does not take service at the time of the system peak and also given that SWEPCO is excluding

smaller rooftop solar customers from its proposed treatment of retail BTMG, it would not be appropriate to assign the entire $5.7 million revenue requirement impact of SWEPCO's retail BTMG proposal to Eastman.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS WITH RESPECT TO THE TREATMENT OF LOAD SERVED BY RETAIL BTMG AS IT IMPACTS THE DETERMINATION AND RECOVERY OF SWEPCO'S TRANSMISSION EXPENSES IN THIS PROCEEDING.

A. SWEPCO's proposed treatment of the load served by retail BTMG is inconsistent with proper ratemaking principles and contradicts the principles of cost causation. Moreover, SWEPCO's proposed treatment of retail BTMG is not required under the SPP Tariff. In addition, the Company's proposal unjustly includes large loads served by retail BTMG in the determination of its transmission costs while excluding smaller loads served by retail BTMG. Finally, the Company's proposal is inconsistent with the treatment of the load served by retail BTMG in other regions of the U.S.

For these reasons, the Commission should reject the Company's proposed treatment of the load served by retail BTMG. Consistent with this recommendation, the Commission should also reject the Company's proposed synchronized self-generation rate. Instead, the Commission should direct SWEPCO to exclude all load served by retail BTMG from the determination of the Company's share of SPP transmission costs. Based on the Company's estimates, this recommendation would reduce SWEPCO's revenue requirement in this case by $5.7 million.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	**§**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

Affidavit of Ali Al-Jabir

State of Texas)
) **SS**
County of Nueces)

Ali Al-Jabir, being first duly sworn, on his oath states:

1. My name is Ali Al-Jabir. I am an Associate with Brubaker & Associates, Inc.; 5151 Flynn Parkway, Suite 412 C/D, Corpus Christi, Texas 78411. We have been retained by Eastman Chemical Company to testify in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony and Appendix A, which have been prepared in written form for introduction into evidence in Public Utility Commission of Texas Docket No. 51415.

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.

Ali Al-Jabir

Subscribed and sworn to before me this 29th day of March, 2021.

Notary Public

My Commission expires on 08/29/2023

AMY MORIN
My Notary ID # 6349873
Expires August 29, 2023

Qualifications of Ali Al-Jabir

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Ali Al-Jabir. My business address is 5151 Flynn Parkway, Suite 412 C/D, Corpus Christi, Texas, 78411.

Q. WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A. I am a consultant in the field of public utility regulation and an Associate with the firm of Brubaker & Associates, Inc. ("BAI").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

A. I am a graduate of the University of Texas at Austin ("UT-Austin"). I hold the degrees of Bachelor of Arts and Master of Arts in Economics, both from UT-Austin. I have also completed course work at Harvard University. I received my B.A. degree with highest honors, and I am a member of the Phi Beta Kappa Honor Society.

Q. PLEASE STATE YOUR EXPERIENCE.

A. I joined BAI in January 1997. My work consists of preparing economic studies and economic policy analysis related to investor-owned, cooperative, and municipal utilities. Prior to joining BAI, I was employed at the Public Utility Commission of Texas ("Texas Commission") since 1991, where I held various positions including Policy Advisor to the Chairman. As Policy Advisor, I advised the Chairman on policy decisions in numerous rate and rulemaking proceedings. In 1995, I advised the Texas Legislature on the development of the statutory framework for wholesale competition in the Electric Reliability Council of Texas ("ERCOT"), and I was involved in subsequent rulemakings at the Texas Commission to implement wholesale open access transmission service in the region.

During my tenure at the Texas Commission and in my present capacity, I have reviewed and analyzed several electric utility base rate and fuel filings in Texas. I have also worked on utility rate, fuel, and merger proceedings and rulemakings in Virginia, Missouri, Colorado, Indiana, Alberta, Pennsylvania, North Carolina, South Carolina, Michigan and Nova Scotia. In addition to my work on such proceedings, I have drafted policy papers, comments and affidavits regarding electric industry restructuring, competitive policy and market design issues in Texas, Alabama, Louisiana, Georgia, and Delaware, as well as before the Federal Energy Regulatory Commission. I have been an invited speaker at several electric utility industry conferences, and I have presented seminars on utility regulation and industry restructuring.

BAI and its predecessor firms have been active in utility rate and economic consulting since 1937. The firm provides consulting services in the field of public utility regulation to many clients, including large industrial and institutional customers, some competitive retail power providers and utilities and, on occasion, state regulatory agencies. In addition, we have prepared depreciation and feasibility studies relating to utility service. We assist in the negotiation of contracts and the solicitation and procurement of competitive energy supplies for large energy users, provide economic policy analysis on industry restructuring issues, and present seminars on utility regulation. In general, we are engaged in regulatory consulting, economic analysis, energy procurement, and contract negotiation.

In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas and Phoenix, Arizona.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN CONTESTED UTILITY PROCEEDINGS?

A. Yes, I have filed written testimony in the following dockets:

1. Texas Docket No. 10035 – Application of West Texas Utilities Company to Reconcile Fuel Costs and for Authority to Change Fixed Fuel Factors;

2. Texas Docket No. 10200 – Application of the Texas - New Mexico Power Company for Authority to Change Rates;

3. Texas Docket No. 10325 – Application of the Central Texas Electric Cooperative, Inc. for Authority to Change Rates;

4. Texas Docket No. 10600 – Application of the Brazos River Authority for Approval of Rates;

5. Texas Docket No. 10881 – Application of the New Era Electric Cooperative, Inc. for Authority to Change Rates;

6. Texas Docket No. 11244 – Petition of the Medina Electric Cooperative, Inc. to Reduce its Fixed Fuel Factor and the Application of the South Texas Electric Cooperative, Inc. for Authority to Refund an Over-Recovery of Fuel Cost Revenues and to Reduce its Fixed Fuel Factor;

7. Texas Docket No. 11271 – Application of Bowie-Cass Electric Cooperative, Inc. for Authority to Change Rates;

8. Texas Docket No. 11567 – Application of Kaufman County Electric Cooperative, Inc. for Authority to Change Rates;

9. Texas Docket No. 18607 – Application of West Texas Utilities Company for Authority to Reconcile Fuel Costs;

10. Texas Docket No. 20290 – Application of Central Power & Light Company for Authority to Reconcile Fuel Costs;

11. Virginia Case No. PUE980814 – In the matter of considering an electricity retail access pilot program: American Electric Power – Virginia;

12. Texas Docket No. 21111 – Application of Entergy Gulf States Inc. for Authority to Reconcile Fuel Costs and to Recover a Surcharge for Under-Recovered Fuel Costs;

13. Virginia Case No. PUE990717 – Application of Virginia Electric and Power Company to Revise Its Fuel Factor Pursuant to Virginia Code Section 56-249.6;

14. Texas Docket No. 22344 – Generic Issues Associated with Applications for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule § 25.344;

15. Texas Docket No. 22350 – Application of TXU Electric Company for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule 25.344 (Phase III);

16. Texas Docket No. 22352 – Application of Central Power and Light Company for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule 25.344 (Final Phase);

17. Texas Docket No. 22353 – Application of Southwestern Electric Power Company for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule 25.344 (Final Phase);

18. Texas Docket No. 22354 – Application of West Texas Utilities Company for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule 25.344 (Final Phase);

19. Texas Docket No. 22356 – Application of Entergy Gulf States, Inc. for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule 25.344;

20. Texas Docket No. 22349 – Application of Texas-New Mexico Power Company for Approval of Unbundled Cost of Service Rates Pursuant to PURA Section 39.201 and Public Utility Commission Substantive Rule 25.344 (Final Phase);

21. Virginia Case No. PUE000584 – Application of Virginia Electric and Power Company for Approval of a Functional Separation Plan under the Virginia Electric Utility Restructuring Act;

22. Texas Docket No. 24468 – Staff's Petition to Determine Readiness for Retail Competition in the Portions of Texas Within the Southwest Power Pool;

23. Texas Docket No. 24469 – Staff's Petition to Determine Readiness for Retail Competition in the Portions of Texas Within the Southeastern Electric Reliability Council;

24. Virginia Case No. PUE-2002-00377 – Application of Virginia Electric and Power Company to Revise Its Fuel Factor Pursuant to Section 56-249.6 of the Code of Virginia;

25. Texas Docket No. 27035 – Application of Central Power and Light Company for Authority to Reconcile Fuel Costs;

26. Texas Docket No. 28818 – Application of Entergy Gulf States, Inc. for Certification of an Independent Organization for the Entergy Settlement Area in Texas;

27. Virginia Case No. PUE-2000-00550 -- Appalachian Power Company d/b/a American Electric Power: Regional Transmission Entities;

28. Texas Docket No. 29408 – Application of Entergy Gulf States, Inc. for the Authority to Reconcile Fuel Costs;

29. Texas Docket No. 29801 – Application of Southwestern Public Service Company for: (1) Reconciliation of its Fuel Costs for 2002 and 2003; (2) A Finding of Special Circumstances; and (3) Related Relief;

30. Texas Docket No. 30143 -- Petition of El Paso Electric Company to Reconcile Fuel Costs;

31. Texas Docket No. 31540 – Proceeding to Consider Protocols to Implement a Nodal Market in the Electric Reliability Council of Texas Pursuant to PUC Substantive Rule 25.501;

32. Texas Docket No. 32795 – Staff's Petition to Initiate a Generic Proceeding to Re-Allocate Stranded Costs Pursuant to PURA Section 39.253(f);

33. Texas Docket No. 33309 – Application of AEP Texas Central Company for Authority to Change Rates;

34. Texas Docket No. 33310 – Application of AEP Texas North Company for Authority to Change Rates;

35. Michigan Case No. U-15245 – In the Matter of the Application of Consumers Energy Company for Authority to Increase its Rates for the Generation and Distribution of Electricity and for Other Rate Relief;

36. Texas Docket No. 34800 – Application of Entergy Gulf States, Inc. for Authority to Change Rates and to Reconcile Fuel Costs;

37. Texas Docket No. 35717 – Application of Oncor Electric Delivery Company LLC for Authority to Change Rates.

38. RIPUC Docket No. 4065 – Application of the Narragansett Electric Company d/b/a National Grid for Approval of a Change in Electric Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-3-11;

39. RIPUC Docket No. 4323 – Application of the Narragansett Electric Company d/b/a National Grid for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-1-3-11;

40. Oregon Docket No. UE 283 -- In the Matter of Portland General Electric Company's Request for a General Rate Revision;

41. Washington Docket No. UE-141368 – In the Matter of the Petition of Puget Sound Energy to Update Methodologies Used to Allocate Electric Cost of Service and for Electric Rate Design Purposes;

42. Federal Energy Regulatory Commission Docket No. EL15-82-000 -- Illinois Industrial Energy Consumers, Complainant, v. Midcontinent Independent System Operator, Inc., Respondent;

43. RIPUC Docket No. 4568 – In Re: Review of the Narragansett Electric Company d/b/a National Grid's Rate Design Pursuant to R.I. General Laws Section 39-26.6-24;

44. Washington Docket Nos. UE-170033 and UG-170034 – Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Respondent;

45. RIPUC Docket No. 4770 – The Narragansett Electric Company d/b/a National Grid – Application for Approval of a Change in Electric and Gas Base Distribution Rates;

46. RIPUC Docket No. 4780 – The Narragansett Electric Company d/b/a National Grid – Proposed Power Sector Transformation Vision and Implementation Plan;

47. Federal Energy Regulatory Commission Docket Nos. ER19-1486-000 and ER19-58-000, Enhanced Price Formation In Reserve Markets of PJM Interconnection, L.L.C.;

48. Texas Docket No. 49494 – Application of AEP Texas Inc. for Authority to Change Rates;

49. Washington Docket Nos. UE-190529 and UG-190530 – Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Respondent; and

50. New Mexico Case No. 20-00121-UT -- In the Matter of the Petition of Public Service Company of New Mexico, Pursuant to the Efficient Use of Energy Act and the Public Utility Act, for Approval of a Rate Adjustment Mechanism to Remove Regulatory Disincentives and Original Rider No. 52.

410370

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS' FIRST REQUEST FOR INFORMATION

Question No. TIEC 1-8:

Please provide workpapers supporting the proposed $2.20 per CP-kW charge for synchronized self-generation load.

Response No. TIEC 1-8:

Please see the filed Schedule Q-7 Proof of Revenue, the tab entitled, SBMA, for the workpapers supporting the charge.

Synchronized Self Generation SPP Load	$2.20
Total Commercial & Industrial Transmission Revenue	$57,181,325
Total Commercial & Industrial NCP	13,008,187.52
Transmission Unit Cost	$4.40
50% of Transmission Unit Cost	$2.20

Prepared By: Jennifer L. Jackson Title: Reg Pricing & Analysis Mgr

Sponsored By: Jennifer L. Jackson Title: Reg Pricing & Analysis Mgr

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS' FIFTH SET OF REQUESTS FOR INFORMATION

Question No. TIEC 5-3:

Please indicate how many MW or kW of load would be included in SWEPCO's reporting of monthly peak load data to SPP in each of the following circumstances:

a. an interruptible customer that uses 50 MW of power during most hours of the month but is not consuming power at the time of the monthly peak of the SWEPCO zone.
b. a firm customer whose load varies over the course of the month between 10 MW and 50 MW, but that is only consuming 10 MW at the time of monthly peak of the SWEPCO zone.
c. a backup customer that self-supplies 50 MW of its own load with behind-the-meter generation throughout the month and does not take any backup or other power from SWEPCO during the month.
d. a customer that has 50 MW of load supplied by behind-the-meter generation, which load is integrated with the generation so that the customer will never take more than 10 MW of backup or standby power from SWEPCO, and which is not taking any power from SWEPCO at the time of the monthly peak of the SWEPCO zone.
e. a residential or commercial solar customer that is generating 10 kW of its 20 kW load at the time of the monthly peak of SWEPCO zone.

Response No. TIEC 5-3:

a. 0 MW for this customer.
b. 10 MW for this customer.
c. 50 MW if the behind the meter generator was serving that load at the time of the peak.
d. 50 MW if the behind the meter generator was serving that load at the time of the peak.
e. 10 kW because SWEPCO has not made any adjustments for such loads in its reporting to SPP at this time.

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